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BEFORE THE

Federal Communications Commission

WASHINGTON, D.C. 20554

In the Matter of

Federal-State Joint Board on
Universal Service

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CC Docket No. 96-262

PETITION FOR RECONSIDERATION

The International Communications Association ("ICA")^{1/}, by its attorney, requests the Commission to reconsider its determination in the Access Reform First Report and Order^{2/} in this rulemaking to modify the interstate access charge rate structure to require that the presubscribed interexchange carrier charge ("PICC") be applied on the same per line basis as the end user common line charge ("EUCL"). As will be explained, the Commission's ruling materially disadvantage customers of Centrex services by applying considerably higher PICC cost than would apply to PBX systems.

1/ ICA is the largest association of telecommunications users in the United States, with more than 500 members who spend at least \$1 million per year upon acquisitions of services and equipment. Because of ICA members' increasing reliance on public telecommunications, ICA members' expenditures on telecommunications are growing rapidly. Recent estimates indicate ICA members spend approximately \$23 billion on telecommunications services and equipment. As heavy users of telecommunications services, including Centrex, ICA members have a special interest in the Commission's deliberations in this proceeding.

2/ Access Charge Reform, First Report and Order, CC Docket No. 96-262, (FCC 97-158) (released May 16, 1997) ("Access Reform Order").

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Background

The Access Reform Order and the appended new rules relating to PICCs propose that the new PICC recover common line revenues not recovered from the EUCL and other common line charges. Starting January 1, 1998, the initial ceiling on the monthly multiline PICC is \$2.75 per multiline business lines.

Because paragraph 69.153 of the Access Reform Order requires that PICCs be applied on the same per line as EUCLs, there will be a disproportionate assessment of PICCs on Centrex systems, and quite possibly the Centrex customer base, than there will be for PBX systems. PICC revenues recovered by local exchange carriers ("LECs") from interexchange carriers ("IXCs") serving Centrex customers will significantly exceed the PICC revenues from similarly sized PBX systems. Since most heavy users of Centrex services are under long-term contracts with their Centrex service provider, a major portion of the Centrex customer base is contractually prevented from transitioning to a PBX system to avoid the excessive allocation of PICC that the Commission has applied to Centrex systems. For the major customers of Centrex services that are at or near the end of their Centrex contracts, it is well known that it can take up to several years to put a major Centrex system up for bid and fully transition to a PBX. Since many major customers of Centrex systems have multiple Centrex systems, the time requirements become even longer.

The Commission must reconsider how it has applied PICCs to Centrex systems in order to prevent major customers of Centrex services from being subjected to disproportionately higher PICC costs than customers of PBX systems.

Discussion

Since the Access Reform Order's PICC system is going to result in higher PICC charges for multiline business customers than for single line and non-primary line residence and business lines. It appears likely that most LECs will be setting their multiline PICC rates at the initial \$2.75 cap. This introduces undue rate shock to the IXC's, and ultimately the multiline business user community. The rate shock on business Centrex customers is potentially even more severe. The Commission's application of subscriber line charges ("SLCs") SLC and PICC charges to Centrex systems seriously undermines the viability of Centrex systems and basically ensures that they will no longer be a competitive alternative for business customers.

Of further concern to major business customers, is the fact that major Centrex customers including American business, colleges, universities, and state and local governments. The net result of the Commission's PICC rules is that like Centrex and PBX systems will not be burdened with like levels of PICC charges. This disproportionate level of PICC Centrex charges unfairly subjects Centrex systems to anticompetitive and arbitrary charges which is contrary to the clear intent of Congress that subsidies be explicit and cost-based. The Commission's decision to disproportionately apply PICCs to Centrex systems disadvantages the competitiveness of Centrex systems.

The Commission's rules would even require that PICCs be applied to those lines that are toll restricted thereby penalizing customers that attempt to control costs and reduce the possibility of toll fraud. Many Centrex customers, both large and small, require that a portion of their Centrex lines be toll restricted. Consequently, a significant number of this country's Centrex lines are toll restricted

and not able to access the IXCs. The toll restricted Centrex lines should not be subject to any PICC charges.

Many ICA members who are Centrex users have in excess of 10,000 Centrex lines. At \$2.75 per line, the resulting monthly rate shock could be enormous! Some examples of the disparity between PBX and Centrex PICC impacts are as follows:

- * A medium size Centrex system (70 lines) would be similar to a 13 trunk PBX system.
- * A larger Centrex system (2,500 lines) would be similar to a 150 trunk PBX system.

Clearly, the Commission's PICC rules would disadvantage Centrex systems even though the usage on the public network would be similar.

Centrex customers understand that the Commission's main focus was on other matters as it revised its complicated access charge rules. Unfortunately, without revisions to its rules, significant inequity will result.

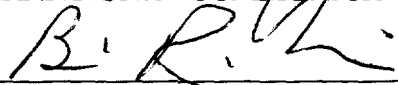
Conclusion

ICA has demonstrated that severe inequities will result from the Commission's PICC rules. Unless these rules are revised, Centrex customers' IXCs will be paying excessive PICCs that would not apply in a PBX system. Customers subject to long term Centrex and IXC contracts will not be able to seek other opportunities. Therefore, ICA requests that the Commission revise its PICC rules [Paragraph 69.153(d)] so that PICC calculations and rate applications count Centrex lines using a line to trunk equivalency ratio. These equivalency ratios are found either in the local intrastate tariffs, or

in the absence of tariffs, there could be agreed upon industry relationships between the Centrex lines and trunks.

Respectfully Submitted,

INTERNATIONAL COMMUNICATIONS ASSOCIATION

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